



U.S. Department of State FY 2000 Country Commercial Guide: Mauritania

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I. EXECUTIVE SUMMARY

OVERVIEW

This Country Commercial Guide (CCG) presents a comprehensive look at Mauritania's commercial environment, using economic, political, and market analysis.

CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. embassies through the combined efforts of several U.S. Government agencies.

Mauritania, with a territory of 1,085,760 square km, population of about 2.5M and, GDP per capita around USD 400, forms a geographical link between North Africa and Sub-Saharan Africa. It is a growing market increasingly open to American trade and investment.

The Government of the Islamic Republic of Mauritania (GIRM) made a high-level decision to encourage imports and increase the availability of goods in all localities of the country. The GIRM, with the support of the World Bank (WB) and the International Monetary Fund (IMF), has also liberalized the exchange system and begun to reform the banking sector and privatize several state-owned companies. The privatization process will continue in 1999 and 2000. The telecommunications, electricity, and air transport companies are now in the process of being privatized.

Major traders continue to import large quantities of consumer goods (rice, flour, sugar, wheat, long-life and powdered milk, and clothing), vehicles and spare parts, building equipment and materials, office equipment and supplies, cosmetics, and medicine. In 1998, the country's total imports increased by 15.5% in local currency (but decreased by 7% in USD, due to an USD/ouguiya parity increase), and U.S. exports to Mauritania increased by 36% in local currency (a 9% increase in USD). The U.S. share of total imports increased by 6.6 percent in 1998, moving it up from 4th in 1997 to 3rd among Mauritania's largest suppliers (after France and Germany). Greater equipment purchases by the state-majority-owned mining company (Société Industrielle et Minière or SNIM) accounted for most of the increase. Products purchased from the United States include mining equipment, vehicles, machinery parts and supplies, cigarettes, grains, and cosmetic products.

Mauritania's economic performance is improving; the GDP annual growth rate in 1998 was 4.2% (while the estimated continental average was 3.2%). Exports and imports as a percentage of GDP reached 40% and 44% respectively. However, the country remains dependent on financial aid flows from the World Bank (WB), European Union (EU), United Nations (UN), and other donors.

COMMERCIAL ENVIRONMENT

The commercial environment for U.S. products is favorable. The GIRM continues to encourage private investment through its privatization programs. If privatization leads to improved management, as expected, the resulting inflows of capital will further spur economic growth and development. Government priorities focus on the creation of small- and medium-size industries to produce essential goods locally and thus reduce the unemployment rate (see Labor, below). Local telecommunications, mining, fishing, tourism, and other companies are interested in joint ventures with U.S. firms. Many local businesspeople seek to represent or serve as agents/distributors for U.S. companies.

MAJOR BUSINESS OPPORTUNITIES

All major sectors of the Mauritanian economy (mining, fishing, agriculture, and construction) offer business opportunities for U.S. exporters. Major government projects such as the fishing sector reorganization, gold and other mineral prospecting, water supply, rural road construction and rehabilitation, telecommunications, electricity production, and irrigation technologies promise the greatest potential for U.S. companies. Local traders interested in opening new markets with advanced technologies also create opportunities for American firms.

Embassy Assistance

Embassy Nouakchott is dedicated to offering assistance and advice to American businesspeople seeking information on trade and investment opportunities in Mauritania. The embassy's economic/commercial officer or assistant can be reached Sunday-Thursday by telephone at [222] 25-26-60/63 or [222] 25-11-41/45. Commercial queries can be faxed to [222] 25-15-92. Companies seeking Mauritanian business are encouraged to copy the embassy on important correspondence.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank on CD-ROM or through the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. **GUIDELIN?** Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>; <http://www.state.gov/>; and <http://www.mac.doc.gov>. CCGs can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce's Trade Information Center by phone at 1-800-USA-Trade or by fax at (202) 482-4473.

II. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

While Mauritania's resource base of fish, iron ore, agriculture, and livestock is rather narrow, the country has some of the world's richest fishing grounds. In addition, Mauritania possesses significant mineral resources of iron, copper, and gypsum. Phosphate deposits have also been discovered but have not yet been exploited. Prospecting is underway to discover other resources, including oil and gold. Severe droughts periodically devastate agriculture and livestock and have caused massive migration from the interior to urban centers.

The outlook for 1999 and 2000 is continued improvement. In 1998, the GIRM pursued an economic reform program supported by the WB and IMF and consequently has liberalized the exchange system, restrained government spending, and revised the tax system. These reforms resulted in an average increase in real GDP (in local currency) of 5% from 1993 to 1998, compared to 2% in 1992. This increase, in turn, led to a rise in per capita income of 8.5% (in local currency) and a reduced current account deficit. In 1998 and 1999, the GIRM introduced measures aiming to improve project management and reduce the resources wasted as required by the development partners. The WB and IMF noted the improvement realized in these two years and encouraged the GIRM to pursue its economic policies with perseverance and determination in order to reach a targeted 7% of economic growth in the coming years.

American cigarettes imported directly have taken much of the market share held previously by French brands. The GIRM is also seeking foreign (particularly American and Canadian) partners for gold and oil prospecting and involvement in newly privatized telecommunications, electricity, and transport companies. Projects funded by international financial institutions (IFIs) also offer opportunities for U.S. investment to provide goods and services in the areas of road construction, irrigation, energy production, and communications. U.S. businesses may also find opportunities to participate as consultants for major projects financed by IFIs.

The following development priorities enjoy significant funding from donors and lenders:

- Infrastructure (road reinforcement and extension, communications, conversion to arable land)
- Agriculture (irrigation, equipment, machinery, quality improvement)
- Drinking water supply
- Reforestation
- Fishing sector restructuring and maritime surveillance
- Mineral resources prospecting

- Health and education development

Principal Growth Sectors

There is no growth index by sector in Mauritania. However, the following sectors played and continue to play a key role in the country's economic growth in 1998 and 1999.

Mines/Industry: Mauritania's mineral deposits are estimated at 180M metric tons of rich mineral and billions of metric tons of impoverished mineral. In 1998, SNIM exported 39.5B ouguiyas (USD 214M), accounting for 56% of total exports; i.e., a 23% increase in relation to year 1997, making the mining sector Mauritania's largest foreign exchange generator. The new reorganization of SNIM, combined with the diversification of its activities and improved management, boosted both iron ore production and exports in 1998 and in the first quarter of 1999. SNIM purchased \$17M in equipment and spare parts in 1998 and anticipated purchases of at least \$23M in 1999. Thirty-eight US firms have business dealings with SNIM. Mining is now considered the sector of greatest potential interest to foreign investors, particularly suppliers of mining equipment, machinery and services.

Mauritania has few natural resources other than iron ore and fish, which are the country's top two exports. The small-scale industrial sector (or modern sector) is limited to small and medium industries operating in fish processing, chemicals and plastics, food and beverages, metal products, building materials, and cookie factories. The industrial sector is faced with serious problems, including high energy costs, high taxes on imported raw materials, limited bank credit, and aggressive competition with similar imported goods. Most other economic activity is in the traditional sector, which is dominated by agriculture and livestock. Mauritania is trying to develop its modern sector through the exploration of new natural resources, such as gold and oil. Prospecting is underway; in 1998 and 1999, the GIRM signed research contracts with several foreign firms, including the Canadian firm Rex Diamond Mining Corp., and the Australian firm Ashton West Africa Property Ltd. Several researchers confirmed the presence of gold, oil, phosphate, aluminum, and copper in some regions of the country.

Fishing: Along its 754 km Atlantic coast, Mauritania enjoys a 200-mile Exclusive Economic Zone (EEZ) that contains some of the richest fishing grounds in the world. In 1998, the fishing sector was the country's second largest foreign exchange earner. However, the fishing sector was plagued by serious problems, including a lack of effective GIRM fisheries policy, mismanagement, and Mauritania's limited technical ability to monitor and control its EEZ. As a result, in 1997 and 1998, the GIRM undertook significant measures to reform this sector, including the reinforcement of surveillance capacity, the control of captured species, and the increase of areas

reserved to the traditional fishery. In addition to these measures, the GIRM is encouraging joint ventures with technically advanced foreign firms in the fishing sector.

The fishing sector offers a variety of opportunities for U.S. sales and exports. As fishing companies expand and modernize their fleets, American boat construction companies may be able to break into what has traditionally been a European and Japanese market. U.S. companies may also become joint owners with Mauritanian partners in fishing ventures. Chinese participation in the Mauritanian fishery sector has fallen due to the age of its fleet and disputes over the terms of cooperation, so local companies are seeking new foreign partners to help them modernize and raise fish processing installations to international sanitary standards.

The GIRM is reforming the fisheries sector through research, resource monitoring and management, maritime surveillance, and major infrastructure development (port extension and warehouse development). The EU and African Development Bank (AFDB) are collaborating with private Mauritians to develop Mauritania's traditional, or artisanal, fishing sub-sector. This sub-sector produces less revenue but generates more jobs than the industrial fishing sub-sector. Mauritania's national fisheries institute, the "Centre National des Recherches Océanographiques et des Pêches," and the "Direction de la Commande des Pêches" continue to intensify their efforts to protect and control the country's maritime resources.

The Government views fisheries as a major source of future employment and foreign currency earnings as well as a nutritional resource. Given this sector's central importance to the Mauritanian economy, the WB targeted it for reform under the umbrella of a new private sector development project. The 1998 and 1999 macroeconomic strategy includes measures to upgrade Mauritania's fishing fleet, reduce overfishing, and improve sector management.

Agriculture and Livestock: These two sectors play an important role in Mauritania's economy, generating 23% of GDP in 1998 and employing about 50% of the working population. However, Mauritania's cereal production continues to be insufficient to cover the total need of its population. In 1998, the total production was 185,266 metric tons; this production was able to cover only 35% of the country's needs (estimated at 527,297 metric tons). With 342,031 metric tons of deficit, the food situation continues to be worrying in 1998/99, calling for extra cereal imports and donor aid. The 1999 cereal imports are estimated at 261,402 metric tons, and the GIRM continues to seek food aid. The Senegal River Valley region offers opportunities to farmers and in recent years has attracted increasing numbers of local investors. American exporters of agricultural equipment could exploit this potential. Recent GIRM measures aim to stimulate, liberalize, and rationalize agricultural production. The GIRM asked donors to make agriculture their highest priority so that Mauritania could move rapidly toward its long-term goal of self-sufficiency in food grains. Projects target irrigated farming

along the Senegal River Valley in conjunction with regional dam projects. Backed by foreign donors, the Organization to Develop the Senegal River involves Mauritania, Senegal, and Mali in navigation; production of electrical power generation and distribution systems; and construction of dams in Diama, Senegal and Manantali, Mali.

In November 1998, a WB delegation visited Mauritania and agreed to support the GIRM in its irrigated agriculture program for the next eleven years; this program aims to rehabilitate 11,000 hectares of cultivable areas along the Senegal River Valley and diversify the production species. In December 1998, the GIRM adopted a long-term development strategy for the agricultural sector, aiming to guarantee food security, improve farmers' incomes, protect and conserve natural resources, and increase the role of agriculture in the national economy. The GIRM views agriculture and livestock as priority sectors for further growth and reduced dependency on imports. The Government promotes private investment in the agricultural sector to modernize the production system, improve the quality of produced cereals (rice mainly), and substitute irrigation for the traditional system of agriculture.

Government Role in the Economy

The GIRM has played an important role in the economy and made economic growth and poverty reduction a key objective of its development strategy. These efforts have been supported by the WB, IMF, AFDB, and other partners. To this end, the GIRM has undertaken some important measures, including privatization and reform in the banking sector, liberalization of the exchange rate system, and reduction of trade and investment barriers. The GIRM has totally or partially privatized some state-owned companies (insurance, fish export marketing company, petroleum marketing company), and is encouraging private initiative.

The results have been modestly impressive. GDP growth (in local currency) rose from 2.6% in 1996 to 4.5% in 1997 and 4.2% in 1998, which was still lower than the targeted 7%. The state-owned companies accounted for approximately 20% of GDP at the end of 1997. Privatization, however, is reducing the economic dominance of state-owned companies. Mauritania's recent success with its IMF/WB structural adjustment program and negotiations with the Paris Club resulted in its being declared eligible for debt relief under the Heavy Indebted Poor Countries (HIPC) Initiative. Mauritania has renewed its Enhanced Structural Adjustment Facility (ESAF) agreement with the IMF and is establishing a good performance track record for the HIPC Initiative. In the fall, the WB and IMF will discuss Mauritania's treatment under the HIPC Initiative and determine decision and completion points along with levels of debt relief. The GIRM's main objectives still focus on increasing public revenues, reducing public expenditures, reducing the role of the public sector in the economy through privatization, and strengthening the financial performance of enterprises that remain public.

The 1999 Government investment budget lists the following development priorities, which donors and lenders have funded:

- Agricultural development;
- Drinking water supply;
- Environment protection;
- Infrastructure development ;
- Industrial sector development;
- Maritime surveillance reinforcement;
- Prospecting for mineral resources;
- Health and education development; and
- Poverty reduction.

Monetary and financial sector reform: The GIRM's monetary policy aims to use indirect controls to allow market forces to operate. Banking supervision has been strengthened to encourage development of an inter-bank market and to ensure bank solvency. Financial sector reform is implemented with the support of the WB and IMF. Fiscal and monetary restraints have been maintained and the stability of local currency restored.

The foreign exchange system has been liberalized, and foreign currencies can be obtained freely through commercial banks and exchange offices upon presentation of required documents: invoices for importers, and an airplane ticket with a valid passport for travelers. The Central Bank fixes the exchange rate for the ouguiya through a basket of currencies of its principal trading partners. Interest rates, which are high relative to economic activity, have discouraged private investment. The liberalization of lending and deposit rates at commercial banks, however, has boosted investment.

In 1998, the Central Bank of Mauritania introduced new incentives to encourage fish exporters to bring back their assets in foreign currency and change them for the local currency in commercial banks or exchange offices. This policy increased the availability of foreign currencies (mainly dollars and French francs) in the market and eased foreign transactions. For example, local companies may now pay foreign suppliers either in cash or by direct transfer through a commercial bank, without Central Bank involvement.

The GIRM's 1998-99 program includes maintenance of price stability through sustained implementation of fiscal and monetary restraint; promotion of private credit agencies; institutional reform of regulatory systems; encouragement of domestic and foreign investment; and poverty reduction through higher wages.

Foreign Trade: With the abolition of the import monopoly on essential goods (rice, wheat, flour, sugar, tea, and powdered milk), GIRM removed restrictions on importing foodstuffs. Private Mauritians benefited from Government efforts to increase the importation of goods and their efficient distribution throughout the country. However, credit restrictions and high interest rates constitute serious handicaps to most importers. In spite of GIRM's efforts to reduce the import tax, the average rate (43%) is still high for the region. Furthermore, the taxation system is not standardized; taxes vary according to the importance attributed to the goods. For example, the tax on products considered essential varies between 9% and 18%. In the 1999 Fiscal Law, the Government introduced a new law for customs tax called *Droit Fiscal à l'Importation* (Fiscal Law on Importation) to replace the *"Droit de Douane"* (Customs Law) and *"Droit Fiscal"* (Fiscal Law). Accordingly, the average customs tax decreased from 32% to 22%. By these measures, the GIRM is seeking to encourage its international trade, particularly with Arab Maghreb Union countries. Meanwhile,

Mauritanian businesspeople are looking for new suppliers in developed countries with a high technological level.

Balance of Payments Situation

While the figures are not yet available, the balance of payments appears to have worsened in comparison to 1997. Contributing factors were the trade deficit (6.6B ouguiyas), increased debt repayments, and the diminution of workers' remittances. Mauritania imports almost all its needs: foodstuffs, fuel, vehicles and spare parts, building materials, clothes, etc. and exports mainly iron ore and fish. The debt service as a percentage of exports rose between 1997 (22%) and 1998 (27%). This increase is mainly attributable to increased debt service in 1998, up 38.5% since 1997.

Trade situation and trends: The creation of private exchange offices and the liberalization of exchange systems have facilitated an increase in external trade over these last two years. Total exports increased by 14% (in ouguiyas) despite a weak world market for iron ore and the collapse of the fishing sector in 1998. Total imports rose by 16% in the same period, despite an international climate that was made difficult by financial crises and collapses as well as a gradual depreciation of the ouguiya against hard currencies. Iron ore continued to be the pillar of Mauritania's exports, representing 56% of the total. However, fish exports continued to decrease, contributing only 37% of total exports. This trend is likely to continue in 1999 and 2000.

Foreign debt: Mauritania's outstanding foreign debt remains problematic. In December 1996, it was estimated at 226% of GDP. In spite of recent debt rescheduling, debt service payment increased 38.5% and became an even heavier drag on the budget. However, the GIRM's present negotiations with its creditors may result in partial debt cancellation, which will allow the economy a respite necessary for achieving its targets.

Foreign investment: Foreign investment, interrupted since the 1989-91 ethnic clashes, has resumed timidly in the past three years. Concerned about the importance of foreign investment to economic growth, the GIRM is introducing new measures to attract local private and foreign investors. The draft revision of the investment code is focused to this end. France and Arab Maghreb Union countries (mainly Algeria) are the largest source of foreign investment. The Saudi Al-Baraka firm is the major foreign investor in the banking sector, holding 85% of Al-Baraka Islamic Bank. The Belgium Belgolaise bank is the second largest foreign shareholder in local commercial banks. Private bank owners are seeking foreign partners. Already, two commercial banks are in negotiations with foreign investors for partnerships.

Infrastructure Situation for Distribution of Goods and Services

Mauritania's infrastructure for the distribution of goods and services continues to be poor in comparison with neighboring countries. Accordingly, the GIRM made infrastructure development (mainly land conversion and road construction and repair) a top priority in the 1998-99 public investment budget. The Government undertaking these infrastructure improvements with the understanding that light industry can only develop fully when it has an adequate transportation network to move raw materials and finished goods.

Air transport infrastructure: Mauritania has one air transport company, Air Mauritanie, which provides regular domestic and international flights between Nouakchott and Casablanca, Dakar, Las Palmas, Bamako, and Banjul. With three international airports, (Nouakchott, Nouadhibou, and Nema), Mauritania is served by Air France (twice a week) and Air Afrique (four times a week). The Nouakchott airport also receives regular flights weekly from Moroccan, Tunisian, Algerian, and Senegalese carriers. The improvement of air transport is one of GIRM's top priorities for 1999. To this end, GIRM is improving management of Air Mauritanie, developing the airports in the interior, and partially privatizing the airlines. The company is now operating with two Fokker F-28 airplanes, one owned and one leased.

Infrastructure for roads: The state of the roads is generally very poor, particularly in the interior. The country's size and climatic conditions make infrastructure maintenance (and travel) particularly difficult. Mauritania possesses about 1,971 km of paved roads, 962 km of modern unsurfaced roads, 7,364 km of tracks, and 670 km of railroad line dedicated to carrying iron ore from Zouerate to Nouadhibou in the north. All other goods are distributed in country by trucks. Road improvement is necessary to incorporate and provide access to isolated localities, as well as facilitate the movement of people and goods.

Maritime transportation: Mauritania has two seaports. The Chinese-built deep-water port in Nouakchott has a capacity of about 1.5M metric tons a year. This "Port of Friendship" is the country's main commercial port and receives about 85% of imported goods. It frequently receives ships from France, Spain, Belgium, China, and Japan, and once in a while, the United States. The second seaport, situated in the northern economic center of Nouadhibou, is mostly dedicated to fish and iron exports.

Media: The broadcast media in Mauritania are characterized by limited channels of dissemination and the concentration of resources in Nouakchott. Mauritanian Television (TVM) has only one channel that can be easily received via satellite in all twelve of Mauritania's regional capitals. Radio Mauritanie (RDM) has three transmitters (FM, MW, and SW), and its broadcasts are received throughout the country. Both TVM and RDM transmit programs in Arabic. Emission in French is

limited to news. The three other national languages (Pulaar, Soninke, and Wolof) are also broadcast. Independent newspapers of many stripes are proliferating in Nouakchott. Advertising may be done through the newspapers, radio and/or television.

Telecommunications: The telecommunications system has undergone considerable modernization and expansion in recent years. Thanks to GIRM efforts, it is now possible to place international calls from all thirteen regional capitals by dialing direct or using telex or fax. Both modernization and privatization of the telecommunications sector are underway.

Major Infrastructure Projects Underway

Road projects: The GIRM's 1999 objective is to improve roads and interior airports in order to facilitate the transport of people and goods, link the remote interior with urban areas, and increase internal trade. To this end, the GIRM contracted loans and has invested in highway construction and repair. Roads currently under construction include the Akjoujt-Atar road (76 km), the Sangarava-Tidjikja road (350 km), the Rosso-Boghe road (205 km), the Nouakchott-Nema road (1,150 km), and the Aioun, Mauritania-Nioro,Mali road.

Air transport projects: The GIRM is developing air transport infrastructure. It intends to improve the infrastructure of some interior airports and equip them with lights and fire extinguishing equipment.

Power Generation: Mauritania relies on imports to meet all commercial energy requirements. Alternative energy production, such as solar, is a limited but growing market. The completion of the hydroelectric power project included in the Senegal River Development Organization project will greatly increase Mauritania's power generation capacity.

The "Societe Nationale d'Eau et d'Electricite (SONELEC), a State-owned company with a monopoly on the production and distribution of electrical energy and water, is improving the technical and financial performance levels of its management. Nonetheless, the GIRM has undertaken measures to privatize it on the advice of the WB, IMF and its development partners. The invitation to tenders to select the electricity partners will be published about mid-2000. Meanwhile, the director of the company is pursuing development strategies: ensuring reliable access to supplies of oil products; developing the supply of electrical power; and developing renewable energy sources. Power projects underway include extension by year 2000 of the Nouakchott electricity grid capacity by adding two motors of 7 MW each to the existing six motors.

Telecommunications: The postal and telecommunications sectors are being privatized in 2000 and the Government is seeking reliable partners to bid on taking

over the work of OPT (the state postal and telecommunications company). In June, the WB approved a USD 10.8M credit to the GIRM for assistance in developing and executing a privatization strategy and expanding access to communications and information services.

The GIRM Committee for Year 2000 Issues is closely pursuing solutions to all expected problems, particularly in communications, power generation, water supply, and transport. OPT has already invited foreign engineers and experts to review the existing equipment of the company and recommend changes. The company is not expected to experience major Y2K distribution.

Hydraulic projects: The GIRM's main objective is to satisfy fully the demand for potable water in urban and rural areas by the end of 2000. To this end, projects have been implemented and planned to renovate and maintain the sanitation network, well drilling in the interior, and increase of Nouadhibou and Nouakchott's water storage capacity. An important water distribution project in Nouadhibou is in progress.

III. POLITICAL ENVIRONMENT

Overall View

Mauritania is a Sahelian country of cross-cutting Arab and African influences that is seeking with limited resources to surmount a history of nomadic poverty, Arab nationalism, and socialist misadventure by building a sedentary, pluralist democracy and market-based economy. Twice the size of France (1.09 sq. km) but with only 2.5M people, Mauritania has the world's third lowest population density after Mongolia and Namibia. Its pluralist society is roughly 70% Arabic-speaking Moors (30% white Moors and 40% black or mixed Moors) and 30% members of the southern-based ethnic groups, Pulaar, Soninke and Wolof. Virtually all are Sunni Muslims. Located at the western edge of the Sahara with 500 miles of Atlantic coastline, Mauritania shares borders with the Western Sahara and Algeria to the north, Mali to the east and south, and Senegal to the south. The country is 90% desert. At independence in 1960, 85% of the population were nomads. Today only about 5% remain nomads, and fully one-third of the population lives in Nouakchott.

A one-party state virtually from independence until July 1978, and a military dictatorship from 1978-92, Mauritania has made notable but uneven progress since it adopted a democratic constitution in 1991 and held its first multiparty presidential elections in 1992. The 1991 Constitution provides for a civilian government composed of a dominant executive branch, a Senate and National Assembly, and an independent judiciary. President Maaouya Ould Sid'Ahmed Taya has governed since 1984, first as head of a military junta, and since 1992 as head of a civilian government. In December 1997, Taya was reelected President, receiving over 90% of the vote in an election widely regarded as fraudulent and largely boycotted by the

opposition parties. While some 23 opposition parties are active, the legislature remains overwhelmingly in the hands of the ruling party, the PRDS. The judiciary remains vulnerable to outside influences. There is an active independent press that is sometimes censored by the Government.

Mauritania is divided into thirteen regions (called wilayas), including the district of Nouakchott. Each wilaya is headed by an appointed governor (wali), who represents the Ministry of Interior. The elected local mayors' councils, however, have limited authority. The Mauritanian administration is highly centralized, with all major offices and agencies headquartered in the capital.

Mauritanian Relationship with the United States

From 1960-67, relations between the United States and Mauritania were excellent. In June 1967, Mauritania broke diplomatic relations with the United States to show solidarity with the Arab countries during the Israeli-Arab war. In December 1969, U.S.-Mauritanian relations resumed and remained cordial until 1989. From 1981 to 1992, the United States provided about USD 100M in economic and food assistance. U.S.-Mauritanian relations worsened during the 1989-91 period due to human rights abuses committed by the Mauritanian military during the ethnic clashes and to the GIRM's pro-Iraqi stance during the Gulf War. In 1991, the USG closed the USAID mission in Nouakchott and ceased development assistance. The USG also suspended Generalized System of Preferences (GSP) privileges. Relations have gradually improved since then, as Mauritania adopted a democratic constitution, held elections, built democratic institutions, improved its human rights record, and worked to improve the welfare of former slaves. GSP benefits were restored to Mauritania by President Clinton on June 30, 1999.

Brief of Political System

Mauritania is currently among the more stable West African states. A member of both the Arab League and the Organization of African Unity, Mauritania generally tends to coordinate its positions on multilateral issues with those two organizations. In recent years, the GIRM has supported the Middle East Peace Process and recognized Israel, which opened an embassy in Nouakchott. Mauritania is also a participant (observer) in the NATO Mediterranean Dialogue.

Mauritania belongs to the following International Organizations:

- United Nations
- World Bank
- International Monetary Fund
- African Development Bank
- Organization of African Unity
- Arab League

- Arab Monetary Fund
- Arab Maghreb Union
- Organization of the Islamic Conference
- Economic Community of West African States (ECOWAS)
- Interstate Committee to Combat Sahel Drought (CILSS)
- Non-aligned countries
- Agency for the Security of African Air Navigation (ASECNA)
- Senegal River Development Organization (OMVS)
- Accord de Non-Agression et d'Assistance en Matière de Défense

The 1999 GIRM policy guidelines presented by Prime Minister Cheikh El Avia Ould Mohamed Khouna focused on market liberalization, information technology development, sustainable development and growth, poverty alleviation, education, and health improvement. The Government promised to modernize the Administration; reform the Law; create favorable conditions for economic growth; effect policies necessary to attract foreign investments; develop the agricultural, mining, and fishing sectors; raise the level of exports; and increase popular income.

IV. MARKETING US PRODUCTS AND SERVICES

Distribution and Sales Channels

Almost all of Mauritania's imported goods arrive at the "Friendship Port" of Nouakchott. From there, they are forwarded to wholesalers, distributors, or retailers via trucks and trailers. Most goods are sold through small shops (boutiques), although medium-sized stores (supermarkets) are increasingly popular in Nouakchott. Large wholesalers and retailers (a few small and medium-sized family-owned firms) import large quantities of consumer goods. Agents operating on commission deal mainly with computers.

Use of Agents/Distributors: Finding a Partner

Although few agents/distributors in Mauritania represent U.S. manufacturers or exporters, local businessmen frequently express interest in representing U.S. companies. Commercial agents are mainly used in such sub-sectors as computers, vehicles, heavy equipment, oil products, pharmaceutical products, cosmetics, communications equipment, cigarettes, and transit. In general, these agents have a written contract, and they negotiate sales and purchases on behalf of producers, manufactures, or dealers.

Direct Marketing

Direct Marketing is very limited in Mauritania. Catalogs are the only opportunity for U.S. companies. The best prospects are cosmetic products, health care, jewelry, HIFI

stereos, and videos.

Joint Ventures

Joint ventures are also limited. Mauritania's existing joint ventures are primarily with other Arab countries and are active mainly in the mineral, fishing, and banking sub-sectors. However, Mauritians wish to expand such ventures with foreign partners in diverse enterprises, and the GIRM offers a wide range of incentives. American companies are advised to select an experienced Mauritanian partner with strong knowledge of local procedures and regulations who maintains good relations with Government officials.

Steps to Establish an Office

The GIRM encourages the creation of new enterprises. The Government agency for investment ("Guichet Unique de l'Investissement") and the Mauritanian Chamber of Commerce and Industry offers assistance and advise to those wishing to establish a business office in Mauritania. Two guides on how to do business in Mauritania ("Guide de l'Operateur Economique" and "Entreprendre et Investir en Mauritanie") are available from the commercial library of American Embassy Nouakchott.

Selling Factors/Techniques

Buying decisions in Mauritania are made on the basis of the quality, price, and product expiration date. Labeling should be in French and/or Arabic.

Advertising and Trade Promotion

There are few qualified advertising agencies in Mauritania. In general, advertising is done in Arabic and French through newspapers, magazines, radio, and TV. There are about twenty newspapers. The most prominent are as follows:

Journal HORIZONS

B.P. 467

Nouakchott, Mauritania

Tel: [222] 25-58-83

Fax: [222] 25-31-70/25-45-87

Mr. Mohamed Ould Hamady, Director.

LE CALAME

B.P. 1059

Nouakchott, Mauritania

Fax: [222] 25-75-55

Mr. Habib Ould Mahfoud, President and Managing Director.

LA TRIBUNE

B.P. 6227

Nouakchott, Mauritania

Tel: [222] 25-44-92

Fax: [222] 25-02-09

Mr. Mohamed Fall Ould Oumère, President and Managing Director.

MAGHREB HEBDO

B.P. 5266

Nouakchott, Mauritania

Tel: [222] 25-98-10

Fax: [222] 25-98-11

Mr. Khattri Ould Dié, President and Managing Director.

L'Eveil Hebdo

B.P. 387

Nouakchott, Mauritanie

Tel & Fax: [222] 25-67-14

Mr. Sy Mamoudou, President and Managing Director.

Nouakchott Info

B.P. 1905

Nouakchott, Mauritanie

Tel: [222] 25-02-71

Fax: [222] 25-54-84

Mr. Cheikhna Ould Nenni, President and Managing Director.

Graphic billboards on major thoroughfares are an important advertising medium for the largely illiterate public. The number of billboards is increasing rapidly in Nouakchott and Nouadhibou, as they are a relatively inexpensive means of advertising. Trade events, such as shows, exhibitions, and fairs are almost non-existent in Mauritania. Information generally passes through the country by word of mouth.

Selling to the Government

In general, sales to the GIRM are made through foreign government tenders (avis d'appel d'offres). Direct negotiations are used for small projects suitable for local company bids. In such cases, the government agencies concerned issue their own tenders and negotiate directly with local suppliers. Major projects are usually guaranteed by an international financial entity, which determines the source market of the project equipment and materials. Tender decisions are often based on experience in the field. The GIRM's Central Procurement Board ("Commission

Centrale des Marchés”), which falls under the Prime Minister’s authority, is responsible for monitoring compliance with procurement regulations and for most government negotiations with foreign suppliers. Deadlines for bidding on tenders vary from 30 to 45 days, depending on the size and complexity of the project. The Government often requires bidders to submit letters of interest to be included on a short-list prior to the issuance of the tender. Then a restricted tender is issued only to short-listed companies.

Need for a Local Attorney

Establishing an entity to do business does not require a contract with a lawyer. However, foreign investors are advised to use an experienced lawyer, keep him informed of their business activities, and receive his advice. The American Embassy in Nouakchott keeps an updated list of local lawyers.

V. LEADING SECTORS FOR US EXPORTS AND INVESTMENT

Independent of overall economic conditions, three market segments offer good prospects for US exporters over the near term: foodstuffs (especially wheat, flour, rice, powdered milk, and canned food), mining equipment (machinery and trucks), and telecommunications.

Best Prospects for Non-Agricultural Goods and Services:

Industrial sector statistics on the best prospects for U.S. business are not available. However, potential sales exist for U.S. mining equipment exporters, since iron ore sales are usually in USD, and SNIM prefers to purchase from dollar-based suppliers. In addition to the mining sector, telecommunications, fishing, wind and solar energies offer opportunities to US suppliers.

Best prospects are (in USD millions):

RANK	TOTAL IMPORTS FROM THE U.S.	PRODUCTS
1	13.2	Miscellaneous equipment and parts
2	2.3	Mining tractors

In addition, the following are considered market opportunities for U.S. exports:

- Cigarettes
- Mining equipment
- Telecommunications equipment and service
- Pharmaceutical products

- Medical equipment
- Computers, hardware, and software
- Parts, accessories, and tools
- Wind and solar energies
- Miscellaneous cosmetics products and toiletries

In addition to these items, Mauritania imports a large quantity of oil and clothing. In 1998, Mauritania imported goods worth nearly USD 28M from the United States, representing a 6.6% share of total imports in that year and a 36% increase over 1997. (N.B. Mauritanian imports from the United States include SNIM's imports, which transit through France and are counted in U.S. statistics as U.S. exports to France.) As a former French colony most of whose businesspeople speak French, Mauritania retains strong commercial ties with France. The French maintain a strong commercial presence through export credits, loans, and economic development assistance. The proximity of the Canary Islands makes Spain another important trading partner.

In 1998, SNIM, the largest Mauritanian importer of U.S.-made equipment, imported U.S. mining equipment and spare parts totaling USD 19.3M. SNIM deals with 38 US companies and considers them its best suppliers. In 1998-99, SNIM implemented several projects for diversifying its activities. These projects, co-financed by the European Union and the African Development Bank, consisted of the following:

- Construction of a desalination factory;
- Restoration and improvement of the Nouadhibou harbor;
- Improvement of the Guelb plant;
- Development of the tourism sector;
- Prospection for gold, silver, and copper
- Expansion of the existing capacity for electricity and water production.

SNIM is still interested in locating new suppliers of mining equipment, electricity stations, water supply technologies, geological research appliances, and tourism partners.

Best Prospects for Agricultural Products:

GIRM's decision to eliminate the monopoly of the state food importing company, SONIMEX, led private merchants to import substantial quantities of wheat, flour, rice, and sugar. As seen below, Mauritania's cereal production in 1998-99 covered only 35% of its total needs. The GIRM still seeks food aid and is encouraging commercial imports of cereals to cover the food deficit. Following is the forecast of cereal imports:

<u>1997-98</u>	<u>1998-99*</u>	<u>1999-00**</u>
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Total market size	461,853	527,294	550,000
Total local production	152,173	189,709	230,000
Total exports	0	0	0
Cereal Aid	18,950	9,500	12,000
Total imports	290,730	328,085	308,000
Total imports from U.S.	0	0	0

*The 1998/99 statistics are official estimates.

**The 1999/00 statistics are official projections.

(Figures in metric tons).

The best opportunities for U.S. exporters of agricultural products and materials are as follows:

- Grain
- Agricultural machinery and commodities
- Water supply equipment
- Well-drilling and irrigation equipment

VI. TRADE REGULATIONS AND STANDARDS

Trade Barriers

Foreign investors very often complain of the complexity of customs procedures and problems of corruption. The importation of luxury items is discouraged through the system of taxation, which is based on the local market value of each item. Customs, however, handles a referential list of items with the respective import taxes and duties. Following are some trade barriers that the GIRM is committed to changing:

Limited infrastructure: A major barrier to trade and investment is the limited infrastructure available in the country. Few paved roads (1,971 km), one railroad line destined for the transport of iron (670 KM), limited air and maritime transports, deterioration of airstrips in the interior, lack of electricity in many localities in the interior, and a lack of potable water in many urban areas are some of the obstacles to foreign investment in Mauritania. However, several development projects currently underway covering the period 1998-2002 are designed to address these deficiencies.

Communication Problems: Arabic is the official language, but French is used in almost all business activities. A few but growing number of businesspeople can conduct business in English. Consumer product literature in Arabic and/or French is preferable. Mauritanian commercial practices are French-based, but this should not constitute a significant barrier to U.S. exports to Mauritania.

Customs Regulations

All imported goods, except those previously exempted by law, are subject to import duties. Import duties are generally calculated on the basis of imported goods' values as reported on the original invoice price (CIF). When the buyer does not present the original invoice price, Customs evaluates the market value of the product and applies the respective rate. Mauritania is one of the undeveloped countries benefiting from the ten years' exemption to apply the WTO requirements. The imported goods should be declared at Customs after landing, and the "Societe Generale de Surveillance" should inspect them in order to control their quality and quantity and compare it with those reported in the invoice.

Tariff and Import Taxes

The GIRM's 1999 Financial Laws focused on a Government revenue increase but with the reduction of customs duties. The number of different taxes has been reduced from five to four, with the introduction of "Droit Fiscal à l'Importation," which replaced two existing taxes that applied to imports. Customs formalities have been simplified, imports of essential goods encouraged, and the system of collecting customs duties streamlined. However, Mauritania's system of taxation continues to be heavy for importers. The tax rate varies between 9% and 43% according to the nature of items and their utility for consumers or users. Value Added Tax (VAT) rates on imported goods are divided in two categories: 5% for goods considered essential and 14% for non-essential goods. VAT is not applied to exported goods. Importers consider the import taxes high in comparison to the rest of the world. GIRM plans to reduce taxes on imports in the next years in order to reach its goal of 25%.

Import licenses requirements

Import licenses are now easy to obtain. The cost and conditions of obtaining the import/export license are discouraging for small and medium traders. The industrial companies, however, have more facilities in obtaining the license. To further facilitate import procedures, the Minister of Commerce can grant special authorization to Mauritians who do not hold a regular import/export license. In such cases, the amount authorized, the validity, and the items to be imported are specified in the authorization. Mauritania is member of World Trade Organization and a signatory of the EU/ACP Lomé Convention.

Special Import/Export Requirements and Certifications

Significant amounts of import and export transactions are conducted through commercial banks. The documents generally required by Mauritanian importers include the commercial invoice, bill of lading or certificate of origin, and certificate of

inspection given by “Société Générale de Surveillance” covering the country of origin of imported goods. The commercial invoice should contain the name and address of seller and buyer; place and date the invoice was prepared; method of shipment; quantity, description, and price of the goods; and delivery and payment terms. Payments are usually made through irrevocable and confirmed Letters of Credit under the control of the Central Bank of Mauritania or through direct transfer from the bank of importer abroad to the bank of supplier.

Export controls

There are no restrictions on the export of goods from Mauritania. The country exports only four products: iron, fish, gum, and skin/leather.

Prohibited imports

Mauritanians, in accordance with Islamic strictures, are prohibited from importing alcoholic drinks and pork; imports of firearms are also prohibited. Due to Mauritania's establishment of ties with Israel, the Arab League-imposed secondary and tertiary boycotts against Israel are no longer enforced.

Free Trade Zones

There are no free trade zones in Mauritania; however, UNCTAD-supported free trade zones are under consideration.

Customs contact Information

Following is the Customs contact information:

Ministère des Finances
Direction Générale des Douanes
Boite Postale 198
Nouakchott, Mauritanie
Tel: (222) 25-14-04 or 25-63-02
Fax: (222) 25-63-04
Contact: Colonel N'Diaga Dieng (Director)

VII. INVESTMENT CLIMATE

Openness to Foreign Investment

Mauritania places great importance on good relations with the USA and welcomes US investment. Local businessmen are increasingly seeking US business partners. The GIRM encourages direct foreign investment. The 1989 Investment Code, still in force, was aimed to stimulate competition and attract foreign capital and investment, but its legal and regulatory frameworks are considered inadequate to support its objectives. Foreign investment is still very limited and official statistics are not available.

Privatization, liberalization, and incentives to investment continue to figure on Mauritania's WB and IMF-inspired economic programs (so-called Document Cadre de Politique Economique). The GIRM believes that private enterprise will be the engine for future economic development and growth. The GIRM is now preparing a new Investment Code, in substitution to the existing, in order to attract foreign capitals and technologies.

The 1989 Investment Code (Ordinance no. 89.013) defines the framework and conditions for investment in Mauritania, the guarantees which benefit investors, and the incentives granted to those investors who contribute to achieving the Government's priority objectives.

The GIRM makes the following guarantees to any entity wishing to invest capital in compliance with the regulations in force (Ordinance no. 89.013):

- Availability of hard currency to import all goods and services necessary for the operation of the enterprise and for repayment of loans contracted;
- Freedom to transfer foreign capital;
- Ability to transfer professional income of foreign employees;
- Protection of vested interests; and
- Equal treatment of Mauritians and foreign individuals and legal entities.

Foreign investment is permitted in all sectors of the economy. The Investment Central

Office Committee (Guichet Unique or One-Stop Investment Shop), created by Ordinance no. 97.016 of February 15, 1997, screens major investment projects and recommends their approval by the Council of Ministers, chaired weekly by the President of the Republic. This Committee consists of a representative from each of the following GIRM Ministries and offices: Economic affairs and Development, Finance, Industry and Mines, Rural Development, Fisheries and Maritime Economy, and a representative of the General Confederation of the Employers. The creation of this inter-Ministerial Agencies Committee eliminated previous administrative procedures, and consequently facilitated investment agreement since 1997.

The Mauritanian Investment Code (Article 2) identifies twenty priority areas in which certain advantages, such as duty or tax incentives, can be guaranteed. The GIRM thus provides incentives for businesses that assist national priorities such as:

- promotion of small-and medium-sized enterprises;
- developing exports of Mauritanian-manufactured products;
- enhancement of the value of internal resources (manpower and raw materials);
- establishment of activities in the interior of the country (establishing enterprises outside of Nouakchott and Nouadhibou can have the benefit of a temporary reduction of the annual amount of tax due on industrial and commercial profits.

Although the GIRM has significantly reduced barriers to investment since 1989, regulations remain vague and somewhat confusing. As noted earlier, the GIRM, with WB assistance, is preparing a revised Investment Code, which is expected to be published in the near future.

Conversion and Transfer Policies

The Mauritanian ouguiya is convertible within Mauritania. Hard currencies can be found either in commercial banks or private exchange offices. There are five commercial banks and about thirty exchange offices in Mauritania. The official exchange rate USD versus ouguiya as of July 1999 is ouguiya 206 to one US Dollar. Liberalization of the exchange system in 1997 has facilitated, in part, the repatriation of dividends by foreign investors and payments to foreign suppliers of goods and services. These transactions can be done through the commercial banks and do not require prior Central Bank approval.

There are no policy restrictions on transferring funds associated with an investment. Any individual or legal entity that has invested joint or foreign capital is officially assured of the free transfer of convertible currencies (Art. 4 of Investment Code). The delays depend only on the availability of foreign currency in local commercial bank.

Expropriation and Compensation

Article 5.2 of the Investment Code assures that if measures of expropriation,

nationalization or requisition are taken, the GIRM should provide an exact and appropriate compensation, with the amount determined according to usual practices and rules of International Law. Such compensation is exempt from dues, duties, or taxes.

Since Mauritania's independence, only one nationalization has taken place. In November 1974, the GIRM nationalized the mining company, in which French partners were the majority shareholders. Compensation was paid according to mutual agreement between the two parties.

Dispute Settlement

We are not aware of any investment disputes in the recent past involving private investors. Disagreements resulting from the interpretation of the application of the Mauritanian Investment Code are settled by the competent Mauritanian courts in accordance with the laws and regulations in force. Any dispute between an individual or legal entity and the GIRM related to the application or the interpretation of the Investment Code is settled according to one of the following procedures of arbitration:

- By agreements and treaties concerning the protection of investments concluded between the GIRM and the state to which the individual or legal entity concerned belongs;
- By procedure of conciliation and arbitration to which both parties have agreed;
- According to the Convention of March 1986 for the settlement of disagreements related to investments between states and citizens of other states, established under the aegis of the International Bank for Reconstruction and Development.

Mauritania is not member of the International Center for the Settlement of Investment Disputes; however, with the new Investment Code in draft, the GIRM hopes to ratify several International Conventions and Treaties.

Performance Requirements/Incentives

There are no performance requirements beyond those that might be agreed to in the individual investment agreement. There are no statutory export requirements or targets. There are no requirements for local financing. There are some guidelines governing the percentage of host country nationals employed. For example: industrial fishing crews are required to have, on average, five Mauritanian crewmembers per vessel. To qualify for preferential tax treatment accorded to priority enterprises, Article 12 of Investment Code encourages companies to purchase locally manufactured goods where possible, and to employ and train Mauritanian staff at all levels.

The GIRM offers tax benefits, including exemptions in some instances, to those enterprises in the priority sectors indicated in the Investment Code. In addition, companies that locate in less developed areas of the country may benefit from tax exemption or reduction. In the case of import "dumping" (goods deemed to be

competing unfairly with a priority enterprise), the GIRM will respond to requests for tariff surtaxes. Priority enterprises thus enjoy some potential protection from competition; i.e., the priority enterprises can ask to benefit during all or part of the first three years of operations from a regressive tariff surtax levied on competing imported products. The GIRM is often willing to provide free land for industrial and farming investments of which the Value Added Tax is considered relatively high.

Right to Private Ownership and Establishment

The GIRM maintained legal monopolies in the following sectors:

- Telephone and Postal services;
- Water, electricity and gas production and supply;
- Air, Sea and Rail transportation;
- Radio and Television; and
- Mining production and marketing.

But thanks to GIRM's privatization program, the Government monopoly in the above sectors (except mining) will end in year 2000. Foreign and domestic private entities have the legal right to establish and own business enterprises and engage in all forms of remunerative activity, provided they respect the laws and regulations in force in the Islamic Republic of Mauritania. They also have the right to freely establish, acquire, and dispose of interests in business enterprises.

Protection of Property Rights

Property rights are protected under the Mauritanian Civil Code that is modeled after the French Civil Code. However, impartial application of the law by the Mauritanian judiciary has been a problem for some local companies. The Mauritanian Investment Code does not mention property rights in its rules and regulations. Mauritania is a member of the African Intellectual Property Organization (OAPI). In joining the OAPI, Mauritania agreed to a number of international agreements governing intellectual property right principles and to establish uniform procedures of implementation. These international agreements include: the Paris Convention for the Protection of Industrial Property; the Bern Convention for the Protection of Literary and Artistic Works; the Hague Convention for the Registration of Designs and Industrial Models; the Lisbon Convention for the protection and International Registration of Original Trade Names; the World Intellectual Property Organization; the Washington Treaty of Patents; and the Vienna Treaty on the Registration of Trade Names.

Adequacy of Laws and Regulations

The GIRM has introduced measures and policies to foster competition: privatization, liberalization of trade, and promotion of private enterprise and private initiative. To apply these measures, the Government adopted a variety of laws and procedures, but deficiencies persist in the enforcement of these laws and regulations. The

liberalization of the exchange system and the import regime has reduced the Government's role in the economy. However, important problems remain to be resolved: improvement and development of management, improvement of transparency of Government procedures, abolition of corruption within the administration, and improvement of the labor and banking laws. Administrative procedures are still considered as a handicap to the trade and investment development.

Efficient Capital Markets and Portfolio Investment

Government policies do not discourage the free flow of financial resources. Foreign investors can get credit on the local market without any governmental restrictions. The GIRM's economic program adopted restrictive and selective credit policies that give priority to productive sectors. The accounting system and regulations covering investments are modeled on French conventions. After the restructuring of the banking sector and the introduction of a computerized system, banking management has improved.

Political Violence

Mauritania has not experienced political violence since it adopted a democratic constitution in 1991. There have been no incidents over the past years involving damage to projects and/or installations. There are currently no nascent insurrections, belligerent neighbors or other politically-motivated destabilizing activities in Mauritania.

Labor

Mauritania's 1998 population was estimated at 2.5M, with a natural growth rate of about 2.93 % per year. With 56% under 20 years of age, and only 4% over 65 years, the population is very young. The unemployment rate remains high and is currently estimated at 30% of the total labor force. The mass exodus from rural to urban areas, combined with the low economic growth rate and a poorly educated, youthful population are, in part, the causes of the high unemployment level. There is a shortage of skilled workers and well-trained technical/managerial personnel in most sectors of the economy. Unemployment also affects graduates; approximately 50% of those with high school and university diplomas have lacked jobs. The GIRM's restraint in hiring new civil servants, the stagnation of jobs in the private sector, and over-qualification for jobs in the informal sector are among the causes of graduates' unemployment.

There is no shortage of unskilled manpower in major cities (particularly, in Nouakchott and Nouadhibou). However, there is a shortage of skilled workers and well-trained technical/managerial personnel in most sectors of the economy, except

the mining sector, which has adequate skilled workers and qualified managers. The Constitution provides for freedom of association and the right of citizens to join any political or labor organization. All workers except members of the military and police are free to associate in and establish unions at the local and national levels. Workers have the right to strike, but work stoppages are generally rare and are settled quickly. There are currently three officially recognized trade union confederations: Union des Travailleurs de Mauritanie (UTM; Union of Mauritanian Workers), Confederation Generale des Travailleurs de Mauritanie (CGTM; General Confederation of Mauritanian Workers) and Confederation Libre des Travailleurs de Mauritanie (CLTM; Confederation of Free Mauritanian Workers).

After consultations with the country's three labor confederations (UTM, CGTM, and CLTM) and the employers federation (Confédération Générale des Employeurs de Mauritanie--CGEM), the GIRM issues labor laws in which employer-employee relations are defined for both the public and private sectors. The most recent agreement, the 1974 Collective Labor Convention, still in force, established a broad array of employee benefits, including fully paid maternity leave. The standard workweek is 40 hours or five days and half, except for banks, household and other special categories of workers. The minimum wage statute is based on a system of job classification defined in the labor code. These wages are revised periodically after agreement between the trade union confederations, the CGEM, and Government. The last revision took place in January 1, 1998 setting the minimum wage at 9,872 ouguiyas (USD 54) per month; but in reality, the minimum wage in the private sector is 15,000 ouguiyas (USD 81). The Labor Directorate of the Ministry of Labor is responsible for enforcement of labor laws.

Foreign Trade Zones/Free Ports

There are no duty-free zones in Mauritania, but UNCTAD-supported free trade zones are under consideration.

Bilateral Investment Agreements:

Mauritania has bilateral investment agreements with fellow member countries of the Arab Maghreb Union (Algeria, Tunisia, Morocco, and Libya), as well as Iraq, Saudi Arabia and France.

OPIC and Other Investment Insurance Programs

Mauritania is member of OPIC but not currently covered by its programs. The Foreign Credit Insurance Association (FCIA) insures certain purchases of American products by the mining company, SNIM.

Capital Outflow Policy

Foreigners working in Mauritania can transfer their earnings. They are authorized to transfer all of their assets upon conclusion of their work in Mauritania.

Major Foreign Investors

There is negligible foreign investment in Mauritania. Although data on the value of foreign investment is lacking, major foreign private investors include the following:

Local Affiliate	Parent Company	Nationality	Sector
- Mobil Oil Mie	Mobil Oil	USA	Petrol
- MORAK	MINPROC, IFC	Australia	Gold
- SODIAP	BOTARG, Ltd	Ireland	Equipment
- FAMO-Mauritanie	FAMO	Morocco	Food
- SOBOMA		France	Beverages
- SIPECO	IFAFOOD	France	Fishing
- MCP	CNF	China	Fishing
- Al Asmac	Al-Baraka Group	Saudi Arabia	Fishing
- NAFTEC	NAFTAL	Algeria	Petrol
- ELF-Mauritanie	ELF Aquitaine	France	Petrol
- BAMIS	Al-Baraka Group	Saudi Arabia	Banking
- GBM Bank	Belgolaise	Belgium	Banking
- MAFCI	Ciment de France	France	Cement

Major Taxation issues Affecting U.S. Business

As mentioned above, the system of taxation continues to affect Mauritanian imports, in spite of the GIRM efforts in reducing import taxes with the introduction of Value Added Tax in 1995 and “Droit Fiscal à l’Importation” in 1999. Some imported products continue to suffer from heavy taxation, including the cigarettes (mainly imported from the USA, with 43%) and the vehicles (mainly imported from France, Japan, and Germany, with 43% too). The average tax on imported goods is now 43%, and is considered high in comparison with the neighboring countries.

Host country contact information for investment-related inquiries

Following is the contact information for investment inquiries:

- Direction de la Promotion de l’Investissement Privé
Ministère des Affaires Economiques et de Développement
Boite Postale 238
Nouakchott, Mauritanie
Tel: (222) 29-04035

Fax: (222) 29-04-35
Email: UCP@OPT.mr
Contact Mr. Kelly Oumar Sada (Director)

- Fédération des Industries et des Mines
Tel: (222) 25-39-74; 25-19-90
Fax: (222) 25-25-95-83
Contact Mr. Lafdal Ould Bettah (President)
- Promotion de l'Entreprise Privée
Tel: (222) 25-91-05
Fax: (222) 25-91-08
- Commission Centrale des Marchés
Secrétariat Général du Gouvernement
Immeuble Primature
Nouakchott, Mauritanie
Tel: (222) 25-25-94
Fax: (222) 25-25-94
Contact Mr. Ahmed Ould Aghnahalla (President)

Corruption

Corruption is prevalent in Mauritania at many levels of the administration despite the GIRM's efforts to enforce laws and regulations. Corruption is most pervasive in Government procurement, taxation, bank loans, project management, vehicles controlled by policemen, and civil status documents. A new penal code aimed at strictly punishing persons practicing corruption is being drafted. Meanwhile, the Ministries of Justice and Interior are holding seminars for civil servants to emphasize the Government's determination in combating corruption.

VIII. TRADE AND PROJECT

Brief Description of the Banking System

With only five commercial banks, one bank specialized in housing construction, three credit Agencies (Credit Maritime, Credit Agricole, and Mauritanie Leasing), and two insurance companies, Mauritania's financial sector remains underdeveloped. Previously modeled on the French system, the banking sector has now been restructured and privatized. Consequently, banks have considerably increased their capital and instituted stricter management. As a result, the national deposit was adequately funded and loans continued to be contracted but with more caution. The Central Bank remains the bank regulatory agency and still controls interest rates, exchange rates in force, commercial bank reserve requirements and financial and credit management. The Central Bank requires that all commercial banks meet these standards which constitute the only way to control the management of the financial sector. The banks' financial statements are in compliance with international standards and are annually audited by local accounting firms. In general, the major shareholders of banks obtain large shares of loans and other bank facilities, like foreign currencies for their private travel. Since 1997, the GIRM encouraged the creation of popular saving agencies to diversify the financial sector and help small savers to promote investment in the development sectors.

Foreign Exchange Controls Affecting Trading

As above mentioned, there is no restriction on transfers of profits, repatriation of capital, royalties or service fees, provided the investment was authorized and made through approved banks. The foreign exchange system was effectively liberalized in 1996, making the ouguiya freely convertible but only inside Mauritanian territory. Authority to buy and sell foreign exchange has been delegated to the commercial banks and exchange offices which carry out transactions upon presentation of appropriate justifying documentation, such as an invoice to pay for imports and customs documents. There is also a black market for trading foreign exchange, primarily U.S. dollars and French francs. The spread between the official rate and the black market rate is currently some 15 percent.

General Availability of Financing

Local financing is limited for Mauritanian investors; however, importers of goods may have access bank loans with high interest rates and a short period of repayment. Traders and importers are complaining of the lack of financing, especially after the

privatization of commercial banks and the exchange system liberalization.

How to Finance Exports/Methods of Payment

Most Mauritanian imports are paid for by irrevocable and confirmed letters of credit issued by local banks. The bank transfer system is also used. Some Mauritanian importers hold bank accounts abroad (in France, Spain, Switzerland, and in most Arab countries), that allows them to pay for their imports directly without involving their local banks.

Availability of project financing, including lending from Multilateral Institutions

Mauritania's auto-financing is insignificant when compared with its financial needs. Overseas direct assistance (ODA) and loans represent about 85% of total resources of its investment budget. Major lenders are the World Bank (IDA – International Development Agency), African Development Fund, African Development Bank, IMF, the Kuwaiti Fund (FADES), European Investment Bank, Islamic Bank, and France Cooperation.

Types of projects receiving financing support

The projects financed concern mainly agriculture (land conversion, irrigation) fishing (maritime surveillance), rural development, hydraulics (drinking water supply), environmental protection, infrastructure (roads, airports, telecommunications), education, and health. In 1998 and 1999, Mauritania continued to obtain financing from IDA and African Development Fund and IMF for its economic and social development projects. This financing was linked to the GIRM's structural reforms to develop the private sector and promote sustainable use of its natural resources, increase primary school enrollment in under served regions, alleviate poverty, and improve health care.

List of Banks with Correspondent US Banking Arrangements

Banque Mauritanienne pour le Commerce International (BMCI):

- Bankers Trust
- Chemical Bank
- American Express Bank

Banque Nationale de Mauritanie (BNM):

- Bank of America
- Bankers Trust
- Chemical Bank

Banque Al-Baraka Mauritanienne Islamique (BAMIS):

- Arab-American Bank of New York

IX. BUSINESS TRAVEL

Mauritanian businessmen are becoming more familiar with international standards. However, US visitors may encounter differences in business practices and cultural standards. The following points may improve the chances of a successful business trip to Mauritania.

Business Customs

Mauritania is a Muslim country. Consumption of alcohol and pork is prohibited for Mauritians. The most important characteristic of Mauritanian business practices is courtesy. A handshake is customary upon initiating and closing a business meeting. However it is important to remember that some more conservative Muslim men will not shake a woman's hand; it is therefore advisable that a woman wait until the man offers his hand first. Business discussions in hotel conference rooms are appreciated. Mauritanians are in general hospitable; they often offer a dinner of mechoui (grilled lamb) to their business partners/visitors.

Travel Advisory and Visas

Mauritania is a safe environment. The yellow fever vaccination must be noted on WHO card for entry; meflouquine (Iarium) is the most frequently recommended drug and should be taken for at least one week prior to arrival and continued for four weeks after departure. A visa is required for US citizens entering in Mauritania.

Holidays

The year 2000 official holidays and other days on which Government offices and private establishments are closed are:

- January 1 (New Year's Day)
- January 10* (Id El Fitr)
- March 19 (Id El Adha)
- May 1 (Labor Day)
- April 5* (Muslim New year)
- May 25 (Africa Day)
- June 15* (Id El Maouloud)

- November 28 (Independence Day)

Holidays with an asterisk (*) are based on the lunar calendar and change every year.

Mauritanian time is Greenwich Mean Time (GMT).

Work Week

Businesses operate from Saturday to Thursday, except for banks, which operate from Sunday to Thursday. Business hours in Mauritania are generally 8:00 AM to 3:00 PM (banking hours for customers 8:00 AM to 1:00 PM).

Language

Arabic is the official language, but French is the business language. Product literature in French is required. The national languages -- Pulaar, Soninké, and Wolof --are widely spoken in the center and south of the country.

Housing

Apartments and houses are available in Nouakchott and Nouadhibou; rents are linked to house size and location and are inexpensive by American standards.

Hotels

There are few international-standard hotels in Nouakchott and Nouadhibou. The best are:

IN Nouakchott

- Hotel Halima

Telephone: [222] 2 5-79-20 or 2 5-79-21; Fax: [222] 25-79-22

- Monotel

Telephone: [222] 25-35-26; Fax: [222] 25-18-31

- Houda Hotel

Telephone: [222] 25-91-71 or 25-91-80; Fax: [222] 25-20-11

- Hotel Chinguitty

Telephone: [222] 25-35-37

- Hotel Oasis
Telephone: [222] 25-20-11

- Hotel Park
Telephone: [222] 25-14-44

- Hotel Sabah
Telephone: [222] 25-15-64 or 25-15-52

In Nouadhibou

- Hotel Oasian
Telephone: [222] 74-9042; Fax: [222] 74-90-43

- Hotel Sabah
Telephone: [222] 74-5317; Fax: [222] 74-54-99

Health

There are five overpopulated government hospitals and about twenty private clinics in Nouakchott and Nouadhibou. Some clinics provide satisfactory health services. The Telephone numbers of the hospitals and private clinics are available in the country telephone directory. Medicines are sold over-the-counter in small drugstores in Nouakchott and Nouadhibou.

Temporary entry of goods

Personal effects in a visitor's luggage or hand-carried including professional equipment may be temporarily imported into Mauritania free of duty and tax.

"U.S. business travelers are encouraged to obtain a copy of the "key officers of Foreign Service Posts: Guide for business representatives" available for sale by the superintendent of documents, U.S. Government printing office, Washington, D.C. 20402; Tel. (202) 512-1800; Fax (202) 512-2250. Business travelers to Mauritania seeking appointments with U.S. Embassy Nouakchott Officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (222) 25-26-60 or 25-26-63, Fax at (222) 25-15-92, or email at sowei@nouakchott.us-state.gov."

X. Economic and Trade Statistics

(Sources: National Office of Statistics, Central Bank, and Ministry of Economic Affairs and Development).

Appendix A - Country Data

Population:	2.5M
Population growth rate:	2.9%
Area:	1,085,760 sq.km. (419,229 sq. mi.)
Religion:	Islam
Government system:	Republican
	Head of State: Maaouya Ould Sid'Ahmed Taya
	Head of Gov't: Cheikh El Avia Ould Mohamed Khouna
Languages:	Arabic (official), French (business), Pulaar, Soninké, and Wolof (nationals)
Climate:	Hot and dry (in most parts of the country)
Work Week:	Saturday - Thursday; generally from 08:00 AM to 3:00 PM

Appendix B - Domestic Economy

(In USD millions, unless otherwise noted).

	<u>1997</u>	<u>1998</u>	<u>1999 est</u>
GDP (at current market prices) (*)	1,065	964	968
GDP growth rate (*)	(2.9)*	(9.5)*	0.4
GDP per capita (USD) (*)	426	386	380
Government spending (in percentage of GDP)	25.6	25.5	26.8
Debt Service Ratio (as percentage of exports)	21.9	26.7	23.7
Inflation rate (percent)	4.5	7.2	6.2
Average exchange rate (Ouguiya/USD)	150	185	206

(*) The GDP, however, increased in local currency by 4.3% in 1997 and 4.2% in 1998; and is expected to increase by 4.7% in 1999. The decrease of GDP in USD is due to the depreciation of local currency against the US dollar during these three years.

Appendix C – Trade

(In USD millions)

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Country exports	411	379	376
Total Country imports	443	415	419
US Exports to Mauritania	25	27	28
US Imports from Mauritania	0.9	0.2	0.5
US Share of Mauritania's imports (%)		5.6	6.5
			6.7

Principal Exports: Fish products and iron ore.

Major markets: France (21%); Italy (20%); Japan (11%); Spain (9%); and Nigeria (6%).

Principal Imports: machinery; vehicles and spare parts; petroleum; foodstuffs; tools; construction materials; clothing; and miscellaneous equipment and supplies.

Major suppliers are France (35%); German (8%); USA. (7%); and Spain (5%).

Principal US Exports to Mauritania: machinery, mining equipment and supplies, cigarettes, miscellaneous tools and beauty products.

Principal US Imports from Mauritania: Concentrated iron ore.

XI. U.S. and Country Contacts

Appendix D – U.S. and Country Contacts

US Mission in Mauritania

Address:

American Embassy
Boite Postale 222
Nouakchott, Mauritanie
Tel: [222] 25-26-60; 25-26-63
Fax: [222] 25-15-92

AMBASSADOR
Timberlake FOSTER

DEPUTY CHIEF OF MISSION
Carol A. COLLOTON

CONSUL, ECONOMIC and COMMERCIAL OFFICER
Katherine M. METRES

Useful Contacts in the USA.

- The United States Department of Commerce
International Trade Administration
Office of Africa, Mauritania Desk
Tel: (202) 377-4388
- The Mauritanian Embassy
2129 Leroy Place, N.W.
Washington, D.C. 20008
Tel: (202) 232-5700

For Additional information on Mauritania, please contact the US Department of Commerce-District Office in your area and ask for the CCG for Mauritania.

Country Government Agencies:

Mauritanian Investment Windows (Guichet Unique des Investissements)

Ministère des Affaires Economiques et Développement

B.P. 238

Nouakchott, Mauritanie

Tel: [222] 29-04-35; Fax: [222] 29- 04-35

e.mail: UCP@OPT.mr

Contact Mr. Kelly Oumar Sada (Director of Office)

Mauritanian Chamber of Commerce

Boite Postale: 215

Nouakchott, Mauritanie

Tel: [222] (2) 522-14; Fax: [222] (2) 538-95

Contact Mr. Mahmoud Ould Ahmedou (President)

Customs Statistics Office (SYDONIA)

Direction Generale des Douanes

Ministère des Finances

République Islamique de Mauritanie

Boite Postale 198.

Nouakchott, Mauritanie

Tel: [222] 25-14-04 or 25-63-02; Fax: [222] 25-63-04

Contact Colonel N'Diaga Dieng (Director)

National Statistics Office

Boite Postale 240

Nouakchott, Mauritanie

Tel: [222] (2) 530-70/539-26/551-70

Contact Mr. Sidina Ould N'Dah (Director)

Centre d'Information Mauritanien pour le Developpement Economique et Technique (CIMDET)

Ministere du Commerce, de l'Artisanat et du Tourisme

Boite Postale 2119

Nouakchott, Mauritanie

Tel. [222] 25-87-38; Fax. [222] 25-86-48; Email: cimdet@pactec.org

Contact Mr. Cheibani Ould Mohamed Abdoullah (Director)

Private Agencies:

Mauritanian Employers Federation

B.P. 383

Nouakchott, Mauritanie

Tel: [222] 25-21-60 or 25-33-01

Contact Mr. Cheikh Ould El Hacen Ould El Moctar (President)

Or Mr. Mohamed Ali Ould Sidi Mohamed (Secretary General)

Mining and Industry Federation

B.P. 3475

Nouakchott, Mauritanie

Tel: [222] 25-39-74

Mr. Lafdal Ould Bettah (President)

Fishing National Federation

B.P. 43

Nouadhibou, Mauritanie

Tel: [222] 74-50-89

Fax: [222] 74-54-30

Contact Mr. Mohamed Mahmoud Sidina Sadegh (Secretary General).

COUNTRY COMMERCIAL BANKS

Banque Mauritanienne pour le Commerce International (BMCI)

Boite Postale: 622

Nouakchott, Mauritanie

Tel: [222] 25-43-49; 25-43-50; 25-43-51

Fax: [222] 25-20-45

President: Mr. Tidjani Ben Al Houssein (President)

Banque Nationale de Mauritanie (BNM)

Boite Postale: 614

Nouakchott, Mauritanie

Tel: [222] 25-26-02; 25-27-07

Fax: [222] 25-33-97

President: Mr. Mohamed Ould Noueigued (President)

Banque Al Baraka Mauritanienne Islamique (BAMIS)

Boite Postale: 650

Nouakchott, Mauritanie

Tel: [222] 25-14-24; 25-22-66

Fax: [222] 25-16-21

General Manager: Mr. Mohamdi Ould Memoune

Generale de Banque de Mauritanie (GBM)

Boite Postale: 5558

Nouakchott, Mauritanie

Tel: [222] 25-36-36

Fax: [222] 25-46-47

Contact Mr. Mohamed Ould Bouamatou (President)

World Bank Representative in Mauritania

Tel: [222] 25-70-33

Fax: [222] 25-13-34

Representative: Mr. Jean Mazurelle

Program Officer: Mr. Souleymane Sow

American companies and Trade Marks represented in Mauritania

- Mobil Oil

Representative Mr. El Kateb Taher and Mr. Abderrahmane Ould Deddah (Assistant of

Representative).

Tel: [222] 25-21-26; Fax: [222] 25-23-35

- Harris Corporation

Representative Mr. Chighali Ould Amara

Tel: [222] 25-19-46; Fax: [222] 25-54-94

- Philip Morris

Representative Mr. Mohamed Ould Bouamatou

Tel: [222] 25-39-60; Fax: [222] 25-11-59

- IBM (Computers)

Representative Mr. Elimane Kane

Tel: [222] 25-29-24; Fax: [222] 25-18-31

- WANG (computers and accessories)

Representative Mr. Saleh Ould Oubeid

Tel: [222] 25-13-63; Fax: [222] 25-13-64

- Louis Berger (consultancy firm)

Representative Mr. Hadrami Ould Maham

Tel: [222] 25-00-54; Fax: [222] 25-00-54

The following US trade marks are distributed in Mauritania by TOP-TECHNOLOGY

Mr. Echbih Ould Ahmed Saleck (General Manager)

Tel: [222] 25-57-94; Fax: [222] 25-57-95

Hewlett-Packard

Dell

3M

Echostar

LANIER